Enclosure.

MEMORANDUM ON THE MYSORE TRIBUTE.

After considering the request of Mysore for the remission of its tribute, the Government of India have come to the conclusion that it is not possible for them to take any action in the matter until they are in a position—

(1) to restore full pay to their employees,

(2) to settle satisfactorily the question of special assistance to deficit Provinces, and

(3) to remove the emergency surcharges in British India.

2. This decision was first communicated in June 1933, but the Government of Mysore refrained from addressing the Government of India again on the subject, as they did not wish to embarrass the latter at a time of financial stringency. Within the last two years, however, conditions have considerably improved, and the financial position of the Government of India has, by all accounts, taken a decided turn for the better. The Government of Mysore, therefore, submitted the matter again for the favourable consideration of the Government of India on 1st April 1935 (copy of their letter is enclosed, Appendix A), but the Secretary to the Hon'ble the Resident has replied in his letter, dated the 16th July, that the Government of India regret their inability to reconsider their decision of 1933 in view of their present financial condition. The affirmation of the decision of 1933 in this manner cannot but be regarded by the Government of Mysore as very disappointing, and they feel called upon, in the interests of the people of Mysore, to urge for a consideration of the matter.

3. It is unnecessary to recapitulate at length the several grounds on which Mysore has been urging the remission of its tribute, as they have been stated in detail on several occasions in the course of official correspondence extending over a period of more than fifty years. A tribute of 24½ lakhs of rupees was imposed on Mysore under the Subsidiary Treaty of 1799 as the price of protection. The necessity or justification of such a cash payment has long since ceased to exist, as other forms of contribution, wholly uncontemplated at the time, have, with the lapse of time, come into existence and taken its place. Under the altered conditions which now obtain in India, it has become possible for the Government of India to obtain, indirectly, large sums of money from the people of Mysore, amounting in practice to the levy of a second tribute, financially more considerable, and economically more burdensome, than the first. Large contributions are obtained by the Government of India indirectly from the people of Mysore in the shape of customs duties, excise on salt, and other similar taxes levied by them.

4. As far back as 1880, when the level of indirect taxation was very low, the Government of India recognised that these indirect contributions made by Mysore should be taken into account in fixing the State's financial relations with them. Consequently when, at the time of the reassessment of the tribute, the contribution of Mysore in the shape of salt duties was found to have increased appreciably, this was taken into consideration by the Government of India in the reassessment (letter dated 3rd March 1880, from the Governor-General in Council to the Right Hon'ble Viscount Cranbrook, Her Majesty's Secretary of State for India, *vide* Appendix B). The magnitude of these contributions, which in 1881 hardly amounted to Rs. 20 lakhs, has enormously increased with the adoption of a policy of protection in British India, and they are more than enough to cover the share of the cost of defence and other Imperial burdens which Mysore may legitimately be called upon to bear. Even on the basis of reckoning followed by the Special Committee which was appointed in 1931 to investigate facts and figures relevant to the economic and financial relations between the Government of India and the Indian States, Mysore contributes, besides the tribute, nearly 125 lakhs of rupees to the Indian Exchequer, while its share of the Imperial burdens approximates to Rs. 120 lakhs.

5. The levy of the tribute along with these contributions constitutes a double burden, for which there is no justification. It is clearly a payment in excess and the Government of Mysore therefore urge that this payment should be extinguished, and that the State's financial relations with the Government of India should be placed on an equitable basis.

6. The Government of Mysore can conceive of no reason except that of expediency for coupling what is obviously a bare act of justice to Mysore with the three conditions mentioned in para (1). The financial difficulties to which these conditions relate have been surmounted by the Government of India, as is evidenced by the distribution this year of a large part of their surplus to the Provinces for rural development, after restoring the salary cut of their employees and giving subventions to deficit Provinces to the extent of more than two crores of rupees. Even if facts were otherwise, the financial difficulties of the Government of India have arisen from causes wholly unconnected with Mysore, and they cannot in justice be deemed a good reason for exacting from Mysore a payment far in excess of its legitimate share of the Imperial burdens, or for imposing on it what the Government of India themselves have recognised to be "locally regarded as a crushing burden on internal development and progress" (Memorandum on Federal Finance, para 30). The Government of Mysore consider that this question should be settled independently on its merits, and immediately.

7. The Government of Mysore venture to urge that it will be definitely unfair to Mysore if the remission of the tribute is made to

depend on the three conditions in the fulfilment of which Mysore has no share or responsibility. The tax-payer of Mysore, who is already shouldering a far heavier burden than he would have had to bear if the State were a British Indian Province (*vide* Appendix C), has been further affected by the recent rise in customs duties and the levy of a surcharge on salt to which the Government of India have resorted to tide over their difficulties. It surely cannot be the intention of the British Government that Mysore should pay twice over for the benefit of British India, or that relief to it from a burden which it has borne for the past 135 years should be postponed indefinitely until a satisfactory settlement is arrived at with the Provinces.

8. The demands of a well-organised and progressive administration on the financial resources of the State are steadily becoming more and more onerous. The increase in indirect taxation in British India has made it impossible for the Government of Mysore to look to any expansion of their tax revenues. The State is passing through a period of acute financial distress. There is a loud demand from all parts of the State for increased facilities for education, improvement in sanitation, extension of medical relief, and agricultural and industrial development. But the State is helpless to meet this demand for want of funds. The total remission of the tribute alone will place sufficient resources at their command to proceed on the path of progress and development.

9. The Government of Mysore appeal to His Majesty's Secretary of State for India to intervene and secure to them the relief to which they feel they are justly entitled.

K. V. ANANTARAMAN,
Chief Secretary
to the Government of Mysore.

3rd September 1935.